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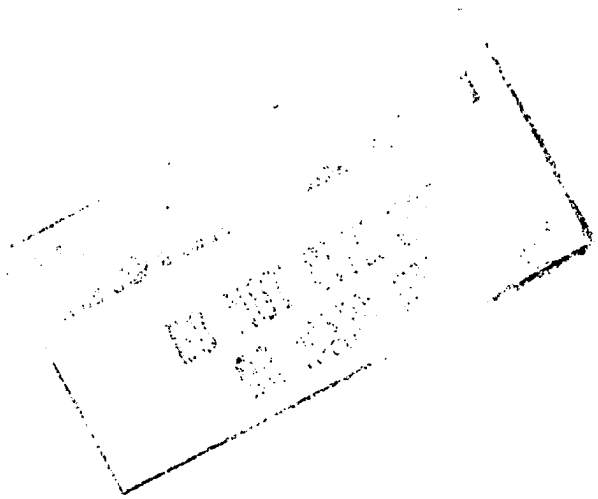
Political Evolution on Taiwan: Implications for The United States [redacted] 25X1

An Intelligence Assessment



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Political Evolution on Taiwan: Implications for The United States

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An Intelligence Assessment

This paper was prepared by
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Political Evolution on Taiwan: Implications for the United States

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Key Judgments

Information available as of 30 December 1983 was used in this report.

US support for Taiwan will remain important to the island's political stability and economic growth, as it has for the past three decades. As the US presence declined during the 1970s, Taiwan's predominantly mainlander leadership had to make significant adjustments to maintain its credibility. The regime, for example, moved aggressively and with a large measure of success:

- To expand unofficial ties abroad.
- To institute political reforms at home that strengthen the ruling Kuomintang's political base among the Taiwanese majority.

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President Chiang Ching-kuo hopes to guide the island through a controlled political evolution that will transfer power to the next generation and from mainlander to primarily Taiwanese hands by the late 1980s or early 1990s.

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This paper questions the conventional wisdom that a Taiwanese-dominated government would adopt an even more intransigent position on reunification and contact with China. We believe such a government would still look to the United States for backing, but that it would also feel more confident of broad-based popular support and in a stronger position to explore more flexible and creative approaches to the mainland. This paper argues that a dominant Taiwanese leadership would:

- Be less preoccupied with vying with Beijing for US support.
- Become somewhat more willing to accommodate Beijing's interest in opening a dialogue.

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Beijing, however, is likely to fear that such a transfer of power would end its hopes for peaceful reunification. Beijing believes that US arms sales encourage Taiwan's resistance to negotiations and, in addition, that steps toward reunification must be well under way before the mainlander leadership in Taipei is replaced. Thus; as the Taiwanese slowly become more powerful over the next several years, we believe Beijing probably will intensify pressure on the United States to encourage Taiwan to negotiate.

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Over the longer term, and to the extent that a Taiwanese leadership is responsive to Beijing's proposals, we believe that this pressure might decline. Thus, such a shift by Taipei could help defuse the Taiwan issue as a major irritant in US-China relations.

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The trend toward a peaceful transfer of power on Taiwan is by no means assured:

- Those dissatisfied with the pace of change could try to hasten or slow the process, provoking political instability.

- The government is trying to move the island's labor-intensive economy toward high technology. Because the Taiwanese control the private sector so completely—and have profited the most from the island's rapid economic growth—prolonged recession could lead them to challenge mainlander management, especially if the prospect of a greater sharing of political power proves illusory.

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Political Evolution on Taiwan: Implications for the United States

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US Role in Taiwan's Security and Stability

Taiwan leaders have looked to the United States as the island's primary security guarantor for the past 30 years and still regard that support as critical to domestic political stability. During the 1950s and 1960s, Taiwan believed it faced a China determined to "liberate" the island by force. Military clashes in 1954, 1958, and 1962 fed this fear. In 1954 Taiwan signed a Mutual Defense Treaty with the United States, agreed to the stationing of US troops and aircraft on the island, and sought US training for its military officers.

The 1972 trip by then President Nixon to China and the subsequent issuance of the Shanghai Communique came as a shock to a Taiwan leadership that had grown accustomed to and dependent upon close US ties. But the declining US presence on the island, signaled most obviously by the withdrawal of all US military personnel, created no significant domestic problems for Taipei, primarily because Washington maintained diplomatic relations with Taipei, and the defense treaty remained in force.

In the 1970s Taiwan's international diplomatic status eroded seriously. Following its expulsion from the United Nations in 1971, most countries established relations with Beijing and severed ties to Taiwan. This, too, caused great concern on the island but was manageable because the US link remained in place. The primary domestic problem provoked by Taiwan's increasing isolation was the perception that its claim to sovereignty over the mainland was being undermined by Taipei's increasing diplomatic isolation.

In 1979, however, the US severance of all official ties with Taiwan became the catalyst for increased political unrest on the island. Resentment among the Taiwanese majority over the continued political domination of the mainlanders intensified and coalesced around a group of young Taiwanese, anti-Kuomintang (KMT) radicals and their political journal, *Formosa Magazine*. Following US recognition of Beijing, this group apparently believed the regime was vulnerable and adopted increasingly confrontational tactics, culminating in a December 1979 Human Rights Day rally in the southern port city of Kaohsiung. After the demonstrators attacked police, the government arrested the ringleaders and broke the back of the movement.

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Since then, the leadership has strengthened its position and made the most of Taiwan's unique international status. To avoid complete isolation, Taiwan developed a new form of diplomacy, which it terms "substantive relations." Building on its strong economic ties to Japan and the West, Taipei has developed extensive unofficial political ties. Taipei has trumpeted these developments, stressing that the island is not totally dependent upon the United States. This has restored some credibility to the regime's claim to legitimacy, although in the eyes of senior leaders it is no substitute for formal relations.

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KMT in Transition

At the same time, the ruling KMT has begun to play down its publicly proclaimed goal to retake the mainland. Traditionally, "Return to the mainland" had been the party's primary mission; now, the banner hanging outside the headquarters of the Taipei municipal party headquarters reads: "Service to the people."

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The shift in goal has been accompanied by significant reforms in the political system and especially in the KMT. Since the death of Chiang Kai-shek in 1975, his son, President Chiang Ching-kuo, has moved to prepare the island for the ethnic and generational succession that will occur near the end of the 1980s. This "Taiwanization" of the regime means that the aging mainlanders will eventually be succeeded by a group composed of both ethnic Taiwanese and younger "mainlanders," who were either born on Taiwan or came to the island when very young.

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Table 1
Taiwanese in the Kuomintang, November 1983

	Number	Average Age
Chairman	1	73
Standing Committee of the Central Committee	26	
Mainlanders	17	74
Taiwanese	9	68
Central Committee	150	
Mainlanders	117	65
Taiwanese	31	56
Unknown	2	
Local headquarters chairmen	21	
Mainlanders	13	53
Taiwanese	8	41
Total cadre	3,400 [a]	NA
Mainlanders	1,700	NA
Taiwanese	1,700	NA
Total party	2,000,000 [b]	NA
Mainlanders	740,000	NA
Taiwanese	1,260,000	NA

[a] Estimated, exact figures not available.
[b] As of December 1982.

The composition of party membership as a whole, in fact, is changing. The KMT is now young—60 percent of the members are under 35—and primarily middle class, closely resembling the island's demographics. At the top, the all-powerful KMT Central Standing Committee is now one-third Taiwanese. Although these men are less powerful than the mainland members, they are younger and therefore should assume more influential positions after current government and party leaders—most of whom are in their seventies and eighties—pass from the scene (see table 1).

The rebuilding of the KMT from the bottom up, a process that also began during the late 1970s, is perhaps more important. Since 1977, when Chiang ordered the party to contest local elections fairly—rather than stuffing ballot boxes—the KMT has been forced to adopt new ways. Now, it must find good candidates, help them win, and then support them after they are elected. In order to do all this, the KMT launched new membership drives and revamped its local party offices. These offices are now the frontline for the party's new emphasis on public service. Local offices help citizens find jobs, file their income taxes, settle disputes with local governments, and provide meeting halls for local cultural organizations. 25X1

Activities at this level now closely resemble typical ward-style politics. Those lower level party members who are responsible for KMT success at the polling place now represent a strong force for reforms to make the party even more responsive to local concerns. Most are young, college-educated Taiwanese. Those mainlanders who remain are required to speak Taiwanese. And, as is the case at the top of the party, the local Taiwanese are much younger than their mainlander counterparts. 25X1

Changes at the midlevel of the party are coming more slowly. Only one department is headed by a Taiwanese, and the most powerful, the Organizational Affairs Department, is still headed by a mainlander with strong security credentials. His three deputies, however, are all young, well-educated Taiwanese. 25X1

At the next higher level, the Central Committee is not well stocked with Taiwanese. There are only 31—about 21 percent. But we believe that Taiwanese membership will increase dramatically at the next party congress, probably in 1986. 25X1 25X1

Changes in the Government. Similar changes are taking place in the government. Like the party's standing committee, Taiwan's cabinet is now almost one-half Taiwanese. Again, the Taiwanese are less powerful than the mainlanders, and significantly younger (see table 2). 25X1

In central government departments, however, reform has not kept pace with changes in the party. We expect that change here will be slower, but most of these positions are limited to policy implementation. Policy formulation continues to reside in the party. 25X1 25X1

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Table 2
Taiwanese in the Taiwan Government, November 1983

	Mainlander		Taiwanese	
	Number	Age	Number	Age
President	1	73		
Vice President			1	76
Premier	1	70		
Vice Premier			1	58
Cabinet	11	66	9	61

At the local level, officials are almost all Taiwanese. County magistrates, local assemblymen and speakers, and urban mayors and city councils are all popularly elected. At the next level, the mayors of Taipei and Kaohsiung and the governor of Taiwan are all Taiwanese, although appointed rather than elected. The one provincial and two city assemblies are also overwhelmingly Taiwanese.

As a result of these changes in the party and government, new groupings are emerging with different views on major questions such as ties to the United States, the island's international status, and future economic planning. In our view, this development already has begun to complicate policymaking and to generate more debate on key issues.

Taiwanese in the KMT. Mainlander leaders have long sought to justify their continued political dominance by pointing to their success in maintaining close ties with the United States—ties they claim are essential to the island's security. Rising young Taiwanese officials, along with younger mainlanders, agree that US arms and security guarantees are important. Still, they are concerned about what they see as excessive reliance on the United States. Consequently, they put much more stress on domestic political and economic developments than on relations with Washington, or competition with Beijing. In fact, they claim that Taiwan's security and stability are enhanced more by its international economic position and peaceful political evolution. Success in these areas, they argue, attracts investors and trade and generates concern in Europe and Japan—as well as in the United States—over any Chinese attempt to bring about reunification by other than peaceful means. The younger mainlanders share this view and have been instrumental in persuading their elders to promote economic and informal relations abroad. 25X1

The Taiwanese, of course, share the mainlanders' distrust of Beijing, but they also fear that the older generation of mainlander leaders might be willing to strike a deal with Beijing to ensure continued mainlander dominance on the island. In fact, mainlander concern about the possibility of provoking a Taiwanese revolt has been an important factor in Taipei's adamant opposition to opening any kind of dialogue with Beijing. 25X1 25X1

Taiwanese views of China and the United States have been shaped by different experiences than those of the mainlander elite. They took no part in the civil war against the Communists; remarkably few of them have been educated in the United States (more were educated in Japan); and they come, by and large, from business and political rather than military or security backgrounds. Simply being a member of the Taiwanese majority also means that they feel less need to justify their positions on security grounds than does the present leadership. Because of this, they also feel less need for tangible displays of US support. 25X1 25X1

Taiwanese often lampoon the pretensions of the senior leaders that they rule all of China. In addition, Taiwanese-owned newspapers and political journals frequently satirize the efforts of the Foreign Ministry to maintain formal diplomatic ties with small Third World countries. 25X1 25X1

The Younger Mainlanders. Another group, which is likely to play an increasingly influential role in policymaking, comprises the sons of the present mainlander elite. We believe these young mainlanders recognize that they are unlikely to inherit their fathers' power and that they will be a minority in future governments. As a result, many of them have made a strong effort to cultivate close ties with influential Taiwanese

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politicians. Their connections, knowledge of foreign affairs, and foreign languages will, at the least, guarantee them some influence in future governments.

Many younger mainlanders are just as critical of current policies as their Taiwanese colleagues and have begun to question senior leaders who place more value on the form than on the substance of Taipei's foreign relations. These younger mainlanders already are exploring ways of dealing with the mainland that are quite different from and sometimes even offensive to the current leadership. For example, Sung Chu-yu, current director of the Government Information Office and son of the late Lieutenant General Sung Ta, a close associate of President Chiang, has ended the ban on factual reporting on life in China, in the apparent belief that Taiwan can only profit by the comparison.

Another example is Wei Yung, currently the head of a research organization under Premier Sun, who has put forward the highly controversial "Multisystems Nation" theory—which would allow Taiwan to merge nominally with China but remain independent in fact—as a possible solution to the problem of reunification. Several other younger mainlanders have told US officials privately that they subscribe to a similar notion, the "German formula," for reunification, whereby one Chinese nation is divided into two political states.

New Approaches to the PRC

Despite the fact that the Taiwanese and younger mainlanders are playing an increasing role in the government and KMT, they still have little input into decisions related to national security. Thus, our views of how they would behave when they actually take power remain speculative.

Judging by their present attitudes, however, we believe that they would be inclined to adopt a more flexible attitude toward a dialogue with Beijing. The first moves could come in the form of more favorable responses to longstanding Chinese proposals designed to pave the way for eventual negotiations. These include direct trade, travel, and correspondence. Taiwanese businessmen, who dominate the private sector, have repeatedly been critical of Taipei's ban on trade with the Chinese mainland. Some local Taiwanese politicians have also been critical of the current leadership's sharp limits on athletic, intellectual, and cultural exchanges with China.

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When Taipei agreed to invite a team from Beijing to participate in an international baseball tournament on the island, Taiwanese-owned newspapers were the most supportive, while the official *Central Daily News* was noncommittal. In private conversations with US officials, Taiwanese politicians have argued in favor of increased exchanges, not because they agree with Beijing's view that they would eventually lead to reunification, but because it might reduce the pressure China places on both Taiwan and the United States to begin the process. These officials are critical of what they term the current leadership's "paranoia" about such activities and of the resulting policy of "no contacts." These politicians believe that this approach denies the island a useful ploy to use against the mainland and leaves the island's security, in their view, overly dependent on decisions made in Washington.

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A Taiwanese-dominated leadership, more confident of popular support, would in our view see itself in a stronger position to take such steps. Further down the road, and after a suitable preparatory period, this confidence might lead them to negotiate with Beijing. Even if some kind of agreement could be worked out, however, Taiwanese officials have made it clear that they would insist on the island maintaining its own military and having access to foreign military supplies.

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For its part, Beijing views the emergence of a predominantly Taiwanese leadership with considerable trepidation, primarily because it fears that the Taiwanese would be more likely to declare Taiwan independent. Indeed, China has long pinned its hopes on reaching an accommodation with the present leadership in Taipei and has tailored its reunification initiatives to appeal to the mainlander elite rather than the Taiwanese majority. At the same time, Deng Xiaoping

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repeatedly has warned that any declaration of independence could lead Beijing to abandon its peaceful reunification policy and possibly invade the island.

Some Taiwanese politicians, on and off the island, have in fact advocated independence from the mainland, but we believe that most recognize the risks of such a step, not only of a Chinese invasion but also of a loss of US support. As a result, we believe Taiwanese leaders would be prepared to live with the island's present anomalous status indefinitely.

Problem Areas

Despite Chiang's initial successes in rebuilding the party, a backlash within the military or security services against the reforms could still threaten future political stability. So, too, could increasing economic problems.

The Security Services. We believe that the security services represent the greatest obstacle to eventual Taiwanization of the government and party. The garrison command and the police have monitored and checked Taiwanese political activity since the 1940s, and there is a strong residue of suspicion on both sides.

With one exception—Chen Shou-shan, commander of the Taiwan Garrison General Headquarters—mainlanders still man all key security posts. We believe that there probably are increasing numbers of Taiwanese at lower levels, but they are unlikely to reach senior positions soon.

Most of the security services' efforts have been aimed at anti-KMT dissidents, but we believe that the security services look askance at all Taiwanese political activity, even that going on within the KMT. We also believe that the security services fear that a future Taiwanese leadership might be less willing to crack down on what they see as the activities of anti-KMT Taiwanese.

The security services, therefore, could come into conflict with future Taiwanese civilian leaders. President Chiang has been careful to stress military subordination to civilians in his selection of top officers. The recent demotion and transfer of General Wang Sheng, then head of the General Political Warfare Department, and a symbol of opposition to Taiwanese political aspirations, was accomplished relatively easily considering his substantial power. Still, opposition from this quarter will continue to be a potential problem. 25X1

Regular Military. Opposition to Taiwanization could also come from the military, but most high-ranking military officers seem resigned to the eventual transfer of power to a Taiwanese civilian leadership. The changes that took place within the party and government during the late 1970s are beginning to occur in the military. Although there are only about a dozen Taiwanese general officers, a review of those just below flag rank indicates that their numbers will increase significantly by the end of the decade. Enlisted men are overwhelmingly Taiwanese, as are most low-ranking officers. 25X1

Any future opposition from this quarter would be constrained by fears that serious civilian-military tensions would be exploited by Beijing. Like the senior mainlander political elite, the military believes that China might undertake military action against the island at any time and are reluctant to participate in activities that might trigger such a move. 25X1

Economic Reform. Concurrent with its efforts to rebuild the KMT, Taipei is trying to retool its economy. Low rates of population growth and increased prosperity have pushed labor costs up sharply on the island. Thus, Taiwan's traditional labor-intensive exports face new challenges from countries with cheaper labor, such as China, Malaysia, and Sri Lanka. We believe that Taiwan's senior economic managers will ultimately be successful in promoting more technology-intensive industries, but the transition period may be difficult. Taipei has already announced that it 25X1

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expects growth rates over the next decade will be lower than those of the previous two, but the government is optimistic that the economic reforms will strengthen the island's competitive position in the international marketplace. Because the KMT has been able to use high rates of growth to mute Taiwanese discontent over mainlander dominance, progress on economic reform will remain important for political stability. This is especially true because most of the island's senior economic managers are mainlanders, while the private sector is almost exclusively Taiwanese. 25X1

Implications for the United States

The coalition of Taiwanese and young mainlanders that will be running Taiwan by the end of this decade, in our view, will still require US arms and security guarantees. Beyond this, however, we believe that this group will have less need to demand other demonstrations of US support in order to legitimatize its domestic political position. The new leaders are also likely to be less concerned about improvements in US-Chinese relations coming at Taiwan's expense as long as the Taiwan Relations Act remains in place and arms sales continue. Thus, we believe Taipei will become less inclined to try to disrupt US-Chinese relations, which some current leaders still believe is the best way to bolster Taiwan's own position. 25X1

Whether or not the new leadership would be willing to discuss reunification with the Chinese, we believe that they will be less rigidly opposed to responding to some of Beijing's initiatives. To some extent, they will be forced to do this to allay fears in Beijing that their accession means that reunification will never take place. Such moves might help defuse the Taiwan issue as a major irritant in US-Chinese relations—especially, of course, if this leads eventually to a negotiated settlement that would allow Beijing to claim that reunification had taken place. 25X1

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